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Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 AID-20 OMB-01 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01

PRS-01 SPC-03 SS-20 USIA-15 SAM-01 EB-11 TRSE-00

DRC-01 /148 W
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R 030719Z FEB 74
FM AMEMBASSY PHNOM PENH
TO AMEMBASSY LONDON
INFO SECSTATE WASHDC 4819

S E C R E T PHNOM PENH 1629

E.O.11652: XGDS-1
TAGS: EAID EFIN CB
SUBJECT: BRITISH COMPLAINT ABOUT U.S. PRESSURE ON ESF

REF: LONDON 1538

1. QUESTION OF ELIGIBILITY OF BANK NOTES FOR FINANCIING UNDER EXCHANGE SUPPORT FUND WAS SUBJECT OF EARLY DISCUSSIONS WITH REGARD TO ESTABLISHING ESF. WHEN U.S. ECONOMIC AID PROGRAM INITIATED IN THE FORM OF THE BILATERAL COMMERCIAL IMPORT PROGRAM IN MARCH 1971, A LIST OF PRODUCTS WAS DRAWN UP WHICH WOULD BE FINANCED. AT THAT TIME PAPER PRODUCTS, WHICH WOULD INCLUDE BANK NOTES, WERE ON THE CIP EXCLUSIVE LIST AND AS SUCH WOULD BE FINANCED UNDER U.S. COMMERCIAL IMPORT PROGRAM AND ONLY UNDER THAT PROGRAM AND EXCLUSIVELY FROM THE U.S. SUBSEQUENTLY, WHEN THE ESF WAS CREATED IN FEBRUARY 1972 AS A CONCESSION TO UK IT WAS INFORMALLY AGREED THAT THERE WOULD BE A WAIVER TO SOURCE ELIGIBILITY REQUIREMENTS FOR BANK NOTES TO PERMIT PROCUREMENT OF BANK NOTES FROM UK UNDER ESF. THIS WAS TO CONTINUE WHILE UK WAS PARTICIPATING IN EXCHANGE SUPPORT FUND. FORMER UK AMBASSADOR AND FORMER UK EMBASSY REPRESENTATIVE ON WORKING GROUP WERE WELL AWARE OF THIS INFORMAL UNDERSTANDING. THEY HAVE ALSO UNDERSTOOD THERE WOULD BE NO PARTICULAR REASON TO CONTINUE THAT EXCEPTION IF BRITISH PART-
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ICIPATION IN ESF CEASED. EMBASSY PHNOM PENH AT NO TIME TOLD UK

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EMBASSY THAT IF UK DID NOT CONTRIBUTE TO ESF, DELAROUX WOULD LOSE BANK NOTE PRITING CONTRACT AND DELAROUX CONTRACT ITSELF HAS NEVER BEEN DISCUSSED WITH UK EMBASSY.

2. OUR CONCESSION IS NOT INSIGNIFICANT. UK CONTRIBUTION IN 1973 WAS $514,000 EXPRESSED IN U.S. DOLLARS. CAMBODIAN PROCUREMENT OF BANK NOTES IN 1973 FROM UK UNDER ESF WAS ROUGHLY FOUR TIMES THAT. TOTAL PROCUREMENT IN 1973 FROM UK UNDER ESF WAS $3 MILLION.

3. UK EMBASSY REP ON ESF WORKING GROUP WAS ADVISED ON DECEMBER 19 THAT EXCEPTION TO U.S. COMMERCIAL IMPORT PROGRAM SOURCE REQUIREMENTS WOULD CONTINUE TWITH QM#REMAINING ESF. HMG HAD AT THAT TIME MADE ITS DECISION AND ON NEXT DAY, DECEMBER 20, U K AMEMBASSADOR OFFICIALLY ADVISED GKR THAT HMG WOULD CONTRIBUTE IN 1974.
ENDERS

NOTE BY OC/T: PHNOM PENH - (#) AS RECEIVED. SERVICED UPON REQUEST.

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